

Comments on Scope of Sanctions Involving Oil and
Gas Equipment Exports to the Soviet Union

We agree with the general assessments presented in the paper. The sanctions already imposed by the United States on the sale of equipment to the Soviet Union is likely to delay compressor deliveries by one to two years beyond the planned 1985 completion date of the pipeline. Because we expect other factors such as severe environmental conditions to delay construction by one to two years, late delivery of the compressors would not represent a bottleneck.

Most European governments would react strongly to attempts to expand the scope of the sanctions. The French government, however, has stated that it will not undercut US sanctions and Alsthom-Atlantique has indicated it does not plan to make the investment necessary to expand its capability to supply additional compressor parts. Several other European firms have already backdated some contracts with Japanese firms in an attempt to avoid the sanctions.

Effective application of the sanctions to subsidiaries and licensees would prevent the Soviets from obtaining the GE compressors and effectively stop development of the project as now envisioned. The only viable option would be to redesign the project to use Rolls Royce turbine technology. If the Soviets moved quickly and sales of Rolls Royce equipment could not be prevented by US sanctions or cooperation from the UK government, the project probably could still be completed by 1987/88.

SECRET